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October 21, 1954
FC-1205;2-1-98-A;
23-260(13);23-301(9)

DCN WORK SHEET

1. Reference Documents and Subject:

- a) BFC Investigation Staff memorandum FC-1205;2-74 of August 23, 1954.
- b) DCN Work Sheet dated October 14, 1954; E. K. Petschek
- c) Shipments of strategic materials to and through Austria.

2. DCN Case Number:

#127 (in part)

3. BFC Investigation Staff Comments:

25X1A The following is in the nature of BFC Investigation Staff reply to questions
25X1A raised by the DCN Work Sheet of October 14, 1954, prepared by Mr. E. K. Petschek and introduced during the DCN meeting of October 14, 1954. BFC wishes to express keen interest in results which may be obtained from the E/ST investigation abroad which Mr. Petschek stated has been initiated in connection with [REDACTED]. This holds true, especially in regard to the following shipments which were reported in [REDACTED]

- a) January 2, 1954: 18,000 kilograms of ball bearings from the U.S. consigned to the firm General Transport of Vienna. Shipment effected through the General Transport of Basel.
- b) January 6, 1954: 28,000 kilograms of magnesium powder from the U.S. consigned to the Metrans firm of Prague. Shipment effected by the Neusser-Riedl firm of Vienna.
- c) January 12, 1954: 18,000 kilograms of ball bearings from the U.S. consigned to the Metrans firm of Prague, Czechoslovakia. Shipment effected through the Neusser-Riedl firm of Vienna.

In view of the lack of identifying details in connection with the above (ING Control 5018), such as box-car numbers, barge numbers, etc., it is felt that identification and tracing of these shipments should prove even more difficult than the earlier ones in which more was known but in connection with which the results were negative.

The suggestion contained in paragraph 4a. of Mr. Petschek's memorandum was

SECRET

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SECRET

Copy No. 6 of 14 copies

DCN Work Sheet

-2-

Oct. 21, 1954

25X1A

that BFC should check its licensing records in connection with the [redacted] report that the manufacturer of 42,170 kilograms of machine tools which were barge-shipped from Vienna to Hungary on September 4, 1953 appeared to be the National Acme Co. of 170 E. 131st Street, Cleveland 8, Ohio. For the information of the DCN, this procedure was considered at an early date in the investigation and rejected as unfeasible

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(1) in view of the earlier negative results from a similar check on the same source [redacted] (2) the several hundreds of applications which had been submitted to BFC for shipment of various materials to Europe by the Cleveland firm during the first eight months of 1953 (1952 records are in Archives and may be reviewed only with some difficulty) and (3) the fact that the only two applications submitted by the firm for shipment to Austria during the period were both for snap lock switches, rather than for machine tools.

While it is true that during early 1953 numbers of applications were received by BFC from the firm to ship machine tools to a number of European countries other than Austria, and that without question licenses were issued in some cases, it was felt that much time (in the selection of certain of these for possible tracing) could be saved should some positive result be forthcoming from Vienna (with the hoped-for information as to the European country from which the machine tools arrived in Vienna) in view of the poor results shown in attempts to confirm reports from this source in Vienna and other European cities to date. Should DCN feel strongly enough on this point, however, this screening process could be begun at once, in spite of personnel limitations and, for that matter, could be best effected, should pertinent CIA clearance be obtainable, through direct consultation with officers of the Cleveland firm coupled with minute examination of its export transaction files. As stated above, however, in view of past poor results BFC feels it advisable to delay such action until the first encouraging response in connection with any of the reports from this source may be received [redacted]

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In connection with the second of the E/ST suggestions contained in paragraph 4b. of Mr. Petschek's Work Sheet, it will be noted that on the first page of the Lindsay memorandum of August 23, 1954, the first action taken by the Investigation Staff on Rome's 514 of August 25, 1953, under Case No. 23-260(13) [redacted], was an airmail letter dated September 14, 1953 sent to Bern and other interested Foreign Service Posts. Inter alia the aforementioned airmail letter of instructions stated the following:

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"Another source of information regarding the data pertaining to

SECRET

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Copy No. 6 of 14 copies

DCN Work Sheet

-3-

Oct. 21, 1954

the movement of the railroad cars might also be the Central Office for International Transport by Rail in Bern which, we understand, is responsible for the accounting of freight cars interchanged in inter-European railroad traffic under the "RIV" operation. (Regolamento Internazionale Veicoli). To this end, the American Legation, Bern may be able to participate in the investigation".

In connection with the instruction described above Rome, in its D-739 of September 29, 1953 and its D-1776 of March 12, 1954 and Bonn in its D-1369 of October 30, 1953, (copies of which were sent to Bern) also recommended that a check be instituted with the Bern Central Office for International Transport by Rail.

In spite of these four suggestions to Bern as to its course of action (with due regard to Swiss Anti-Espionage Law), apparently based on negative findings at Basel, the Bern Embassy decided against making this contact as is made fairly clear in Bern's T-60 of July 19, 1954. No specific explanation of Bern's failure to follow this suggested line of inquiry has actually been received from the Embassy by the Investigation Staff, however, and should the E/ST member of DCN feel strongly enough that Bern should be required to do so, in spite of the preponderance of negative evidence which has been accumulated to date in this matter, the Investigation Staff will be pleased to prepare a follow-up request.

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In addition to the foregoing, BFC wishes to report further at this time in connection with its Case 9-0-462 [REDACTED] which was discussed in the BFC memorandum of August 23, 1954 referred to above. As further indication of the apparent unreliability of this source are the replies which have now been received from Basel (D-15 of August 12, 1954) and from Vienna (D-374 of September 23, 1954). The foregoing additional negative replies in connection with this source and this specific case had not been received by the BFC Investigation Staff when the Lindsay memorandum cited above was being prepared.

SECRET